



**Island Investment Development Inc.**

# **Annual Report**

**2011-2012**



# Message from the Minister

March 22, 2013



The Honourable H. Frank Lewis  
Lieutenant Governor of Prince Edward Island

May It Please Your Honour:

Pursuant to the Annual Reporting Framework of the Financial Administration Act governing Crown Corporations, I am pleased to present to you, the Annual Report of Island Investment Development Inc. for the fiscal year ending March 31, 2012.

This report details the Crown Corporation's activities over the past year and provides financial statements.

By building a strong population, we are working to ensure a brighter future for Prince Edward Island.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Allen F. Roach". The signature is fluid and cursive.

Allen F. Roach  
Minister of Innovation and Advanced Learning

# Table of Contents

Message from the Minister.....	2
Mandate .....	4
Mission .....	4
Vision .....	4
Immigration Services .....	5
The Atlantic Perspective .....	5
Economic Indicators.....	7
Island Investment Development Inc. Programs .....	10
Labour Impact Category .....	11
Business Impact Category .....	12
The Numbers behind the Programs.....	12
Attraction/Promotion .....	18
Settlement/Retention .....	19
Temporary Foreign Workers.....	24
Temporary Foreign Students .....	25
Use of Proceeds Agreement.....	26
Fund Management and Lending.....	27
Appendix A: .....	Board of Directors
Appendix B: .....	Audited Financial Statements

## Mandate

---

Island Investment Development Inc. (IIDI) is a crown corporation under the Ministry of Innovation and Advanced Learning and is responsible to implement and manage programs to increase Prince Edward Island's population through immigration, settlement, integration, and broad population retention. These programs are designed to educate, facilitate, attract and retain immigrants who will contribute to the economy and culture of Prince Edward Island.

These programs also extend to Islanders both within and outside the province and to Canadians looking for opportunities in Prince Edward Island. IIDI also administers the Prince Edward Island Century 2000 Fund through the Federal Government's Immigrant Investor Program and is responsible for the delivery of the Prince Edward Island Provincial Nominee Program (PEI PNP).

## Mission

---

IIDI's mission is to effectively and efficiently develop and deliver programs and services to attract, settle, integrate, and retain newcomers. IIDI will endeavor to increase

not only the number, but also the quality of applicants best-suited to adapt and contribute to the province's unique economy.

## Vision

---

Using the PEI PNP, IIDI promotes "A Welcoming One Island Community" in its attraction and promotion stream; whose services and supports to newcomers will contribute to a culturally diverse and prosperous province. The spirit of the "One Island Community" is also to be extended to Islanders abroad who are looking for meaningful employment to return and stay in Prince Edward Island. Island youth and the workforce that are currently in Prince Edward Island are also engaged to continue

contributing to the economic and social fabric of the province.

IIDI helps sister organizations create economic growth and address labour market issues. IIDI openly collaborates with departmental partners and with other provincial and federal government departments to ensure that Prince Edward Island offers a high quality of life that boasts a supportive business community and a welcoming spirit that will help sustain and grow the Island's population.



IIDI expanded its mandate in 2011-2012. IIDI has taken on new responsibilities for immigration, settlement, retention, and overall population growth in Prince Edward Island. The Population Secretariat and

Immigration Services were merged, under the banner of Immigration Services, which provides a comprehensive suite of programs and services for newcomers and Islanders to encourage population sustainability and growth.

## Immigration Services

---

In 2011-2012, The Department of Innovation and Advanced Learning merged the responsibilities for immigration, settlement, repatriation, and retention in order to facilitate a holistic client focused approach for newcomers in Prince Edward Island to encourage positive retention outcomes. Immigration Services merged the Population Secretariat's and Immigration Services' suites of services and programs to create an efficient and streamlined approach to economic development and population growth in Prince Edward Island. Immigration Services uses two primary

pillars to achieve this growth in the province: Attraction, Promotion, Settlement and Retention.

Strategic attraction and promotion to bring immigrants and Islanders abroad is being explored along with comprehensive and adaptive settlement and retention programs to help newcomers and Islanders integrate and stay in the province.

## The Atlantic Perspective

---

Prince Edward Island and its sister provinces in Atlantic Canada share several demographic characteristics. The Atlantic region has historically experienced low levels of immigration, high youth out-migration, high unemployment, and each province has an aging population. Atlantic Canada has a combined population of 2,359,612 (6.8% of the total Canadian population). These demographic challenges make immigration an important solution in addressing economic and population growth needs.

The population of Prince Edward Island declined in the fourth quarter of 2011 by approximately 300 (-0.2%) to an estimated total of 145,883 on January 1, 2012. However, Prince Edward Island has experienced a significant population increase over the past decade. This growth can be mainly attributed to immigration (Table 1).

On January 1, 2012, the population of Prince Edward Island was estimated at 145,883, an increase of 1,541 persons or 1.7 percent from 2011.

This was higher than the national growth rate of 1.0 percent and the highest growth rate of all the provinces and territories.

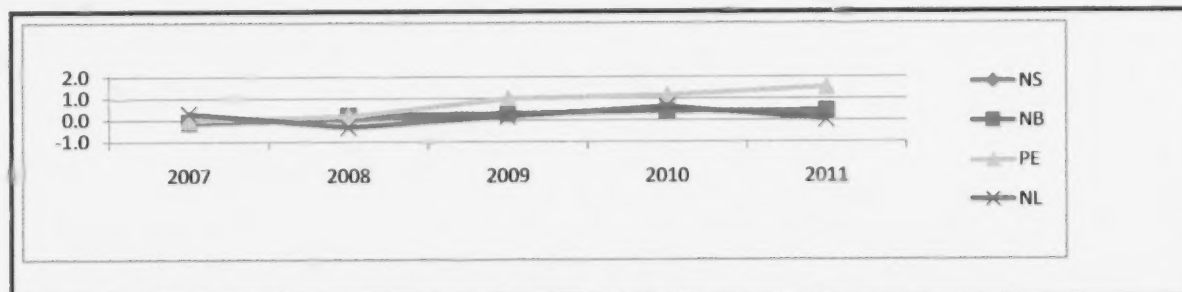
**Table 1: Population and Components of Growth in Prince Edward Island (July 1 – June 30)**

	2006	2007	2008 <sup>(r)</sup>	2009 <sup>(r)</sup>	2010 <sup>(r)</sup>
<b>Births</b>	1,428	1,447	1,486	1,487	1,489
<b>Annual Change (%)</b>	7.4	1.3	2.7	0.0	0.1
<b>Deaths</b>	1,143	1,166	1,216	1,246	1,275
<b>Annual Change (%)</b>	-1.9	2.0	4.3	2.5	2.3
<b>Net Interprovincial Migration</b>	-849	-291	-536	60	-543
<b>Net International Migration</b>	652	1,211	1,651	1,720	2,560
<b>Annual Change (%)</b>	137	86	36	4	49
<b>Non-Permanent Residents</b>	153	242	230	155	229
<b>Annual Change (%)</b>	96	58	-5.0	-33	48
<b>Total Population</b>	<b>137,920</b>	<b>138,161</b>	<b>139,604</b>	<b>141,219</b>	<b>143,395</b>
<b>Annual Change (%)</b>	<b>-0.01</b>	<b>0.17</b>	<b>1.00</b>	<b>1.16</b>	<b>1.54</b>

r: revised data    p: preliminary data    - Population (t)=Population(t-1)+births-deaths + net interprovincial migration +net international migration + non-permanent residents + residual.

Source: 38th Statistical Review 2011, released by the Department of Finance and Municipal Affairs, June 2012.

**Figure 1: Atlantic Provinces' Population Growth 2007-2011**



Source: Statistics Canada "Quarterly population estimates, national perspective — Population"

<http://www.statcan.gc.ca/pub/91-002-x/2011004/t002-eng.htm>

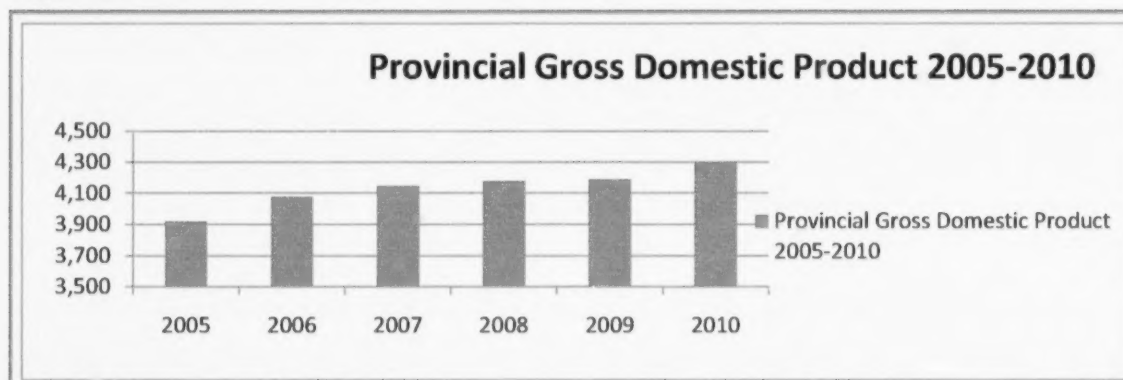
## Economic Indicators

To obtain its objective of economic prosperity, Prince Edward Island has opened its markets to international players in different economic sectors. This development has allowed the Province to enjoy exposure to international trade in different sectors, as well as strengthen its hold on trade with Canadian and International partners. Immigration plays a major role in the success of Prince Edward Island by providing a work force and increasing the cultural wealth of the Province, as it continues to strengthen its relationship with companies in the

Bioscience, Aerospace and Information Technology sectors. With the skill level demanded in these expanding sectors, Immigration plays a great role in providing a highly skilled labor force to meet industry demand.

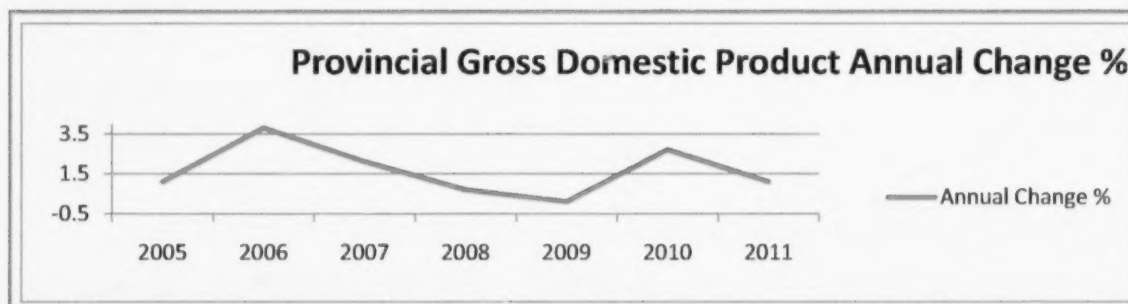
During the economic downturn of 2008, Prince Edward Island was fortunate to minimize the impact of reduced economic activity that several provinces experienced. Prince Edward Island has maintained constant growth, despite global economic adversity (Figures 2 and 3).

**Figure 2**



Source: 38th Statistical Review 2011, released by the Department of Finance and Municipal Affairs, June 2012.

**Figure 3**



Source: 38th Statistical Review 2011, released by the Department of Finance and Municipal Affairs, June 2012.

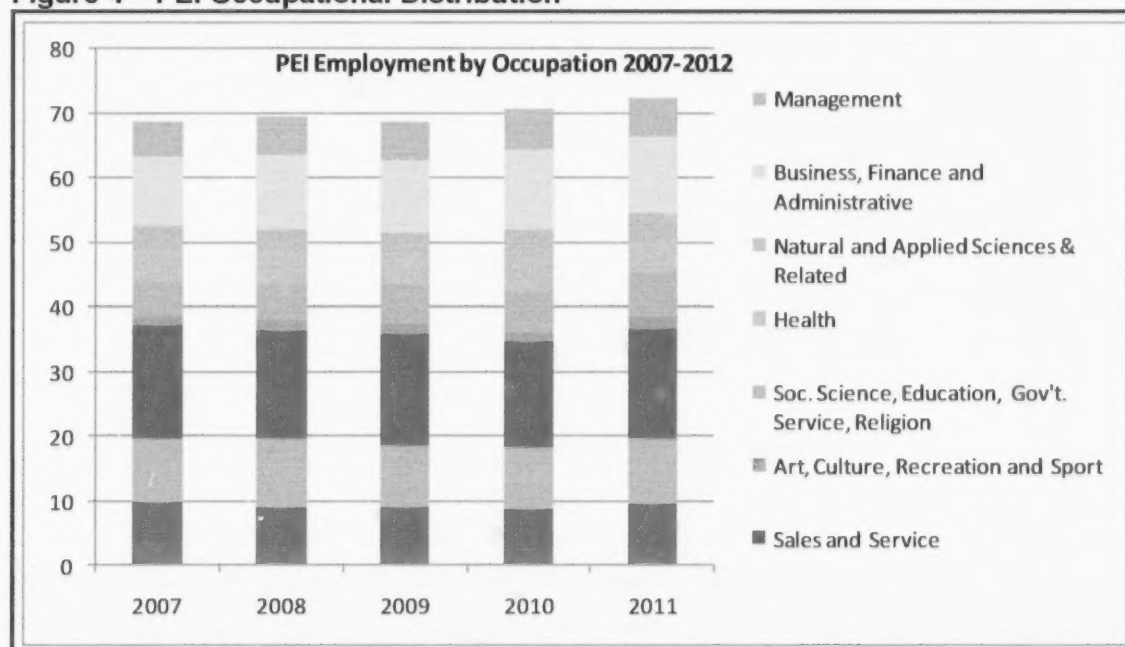
To position the Province for greater economic growth, increased emphasis has been placed on strategic sectors: Bioscience, Information Technology, Renewable Energy, Aerospace and Manufacturing and Processing. These industries form the backbone of the knowledge-based economy and each sector requires highly skilled employees, some of which are obtained through Immigration. In addition to these high-knowledge positions, the Province also seeks to attract semi-skilled and low-skilled workers to fill labour gaps in Prince Edward Island's economy.

Over the past five years, the Province has seen a shift in employment with the changing emphasis being placed on various sectors. Statistics Canada's *Survey of Employment, Payrolls, and Hours* shows that employment on Prince Edward Island increased 0.6 percent in 2011, the fifth

straight year of growth. Growth was mainly due to increases in the Trade Sector, Education, and Management Services. Prince Edward Island is slowly experiencing a shift in employment (Figure 3). When this evidence is compared to unemployment levels of the Province's labour force, it is evident that there is a gap in the labour supply to the demand of the Island's economy.

The annual average of total employment on Prince Edward Island increased by 2.0 percent from 70,600 in 2010 to 72,000 in 2011. This was the third highest growth rate in the country. Employment in the goods-producing sector increased by 5.4 percent in 2011, while employment in the service providing sector increased by 0.7 percent.

**Figure 4 – PEI Occupational Distribution**

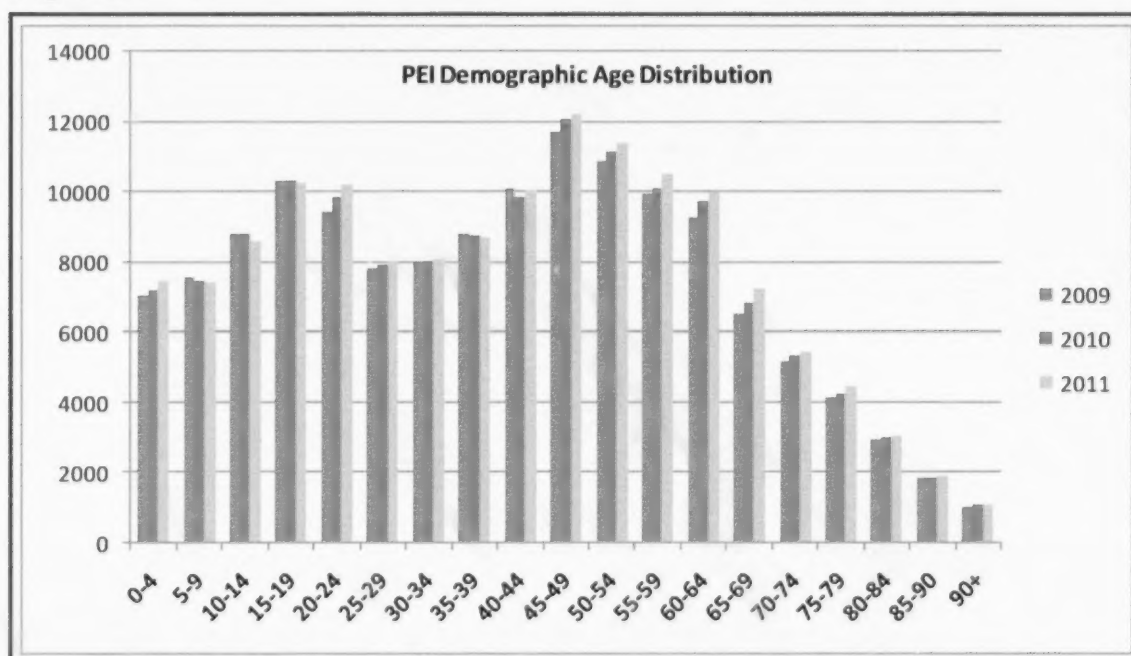


Source: 38<sup>th</sup> Annual Statistical Review (Statistics Canada, Labour Force Survey Estimates, CANSIM: Table 282-0010)

The demographic distribution of the province determines the nature of the labour force available to run the Island's economy. Businesses searching for opportunities consider if there is adequate labour in the province to serve their needs. According to Statistics Canada, Prince Edward Island had a labour force of 81,200 in 2011 with employment of 72,000 with a participation rate of 68.1% and unemployment of 9,200 (11.3%), compared to the Canadian participation rate of 66.8% and 7.4% unemployment rate.

Age demographics in Prince Edward Island also play a part in the expected labour force. The 2011 period shows that the majority of the population is aged 45 or older, accounting for 46% of the population; 49% of this majority are over the age of 60 (Figure 5). The Island's population is predominantly either approaching or past the age of retirement, suggesting the Province needs to prepare for a decrease in the labour force.

**Figure 5**



Source: 38th Statistical Review 2011, released by the Department of Finance and Municipal Affairs, June 2012.

When current labour market information and age demographics are considered, Prince Edward Island will lack a sufficient labour force to satisfy the business demand.

Immigration may serve to fill the gaps left by Prince Edward Island's changing population demography and have a positive impact on all aspects of the Island's infrastructure.



## Island Investment Development Inc. Programs

---

Established in 2001, the Prince Edward Island Provincial Nominee Program (PEI PNP) has been an integral part of growing Prince Edward Island's population, labour market needs, and economy. Under the Agreement for Canada-Prince Edward Island Co-operation on Immigration, the PEI PNP is a Federal-Provincial partnership between the Province of Prince Edward Island, represented by Immigration Services, and the Government of Canada, represented by CIC. The Agreement with CIC allows the selection of individuals who can meet the province's economic, labour market and population needs. Much of Canada is experiencing similar difficulties with aging populations and each province is striving to attract skilled individuals. The PNP is allowing Prince Edward Island to position itself internationally to compete for foreign talent. We are no longer just Canada's 'smallest province', but rather a vibrant, diverse community open to qualified individuals and families who want to create a new life with meaningful opportunities. Prior to the creation of the PNP, the Province relied on the federal government for immigration. Within the federal categories, Prince Edward Island receives approx 150 permanent residents on average each year, with the Refugee class accounting for 40% of this intake or 60 per year. Since 2007, the Province has welcomed an average of almost 300 applicants or 720 newcomers each year through the PEI PNP in areas specifically

targeted to enhance our Province both culturally and economically. In 2010-2011, Prince Edward Island re-launched its PEI PNP to comply with new regulations set out by the federal government. The Province worked diligently over a ten-month period to re-work the program with the assistance of senior officials of CIC. This close collaboration was undertaken to ensure the new program could deliver on the population, economic and diversity priorities of Prince Edward Island and at the same time comply with all federal standards under the Immigration Refugee Protections Act (IRPA) regulations.

Due to significant program redevelopment in 2010-2011, IIDI focused on extensive consultations and the comprehensive development process to ensure a complimentary PEI PNP that could address labour market and business needs in Prince Edward Island. The number of applications and subsequent nominations in 2011-2012 reflect this shift in focus.

The program has evolved over time and has refined its way of doing business. From the three nomination streams, the program was redeveloped to create two main categories that focus on specific streams (intents). This new classification creates a renewed focus on the areas that make up IIDI's mandate to assist in addressing labour gaps and economic development. The streams include the following:

Business Impact Category

- 100% Ownership Stream
- Partial Ownership Stream
- Work Permit Stream

Labour Impact Category

- Skilled Worker Stream
- Critical Worker Stream
- International Student Stream
- Family Connection Stream

## Labour Impact Category

---

The **Skilled Worker Stream** was developed to attract highly skilled workers to the Province. Opportunities for high-skilled and specialized labour exist in many of the Province's new and emerging industries, such as Aerospace, Bioscience and Information Technology. Potential nominees, who possess the necessary skills and fall under the National Occupational Classification (NOC) skill level 0, A or B are eligible, provided they have obtained a post-secondary degree/diploma and experience in the intended profession.

Through **The Critical Worker Stream** the PEI PNP helps to facilitates filling labour market shortages through enabling foreign workers to apply to become permanent residents. The job being offered must fall under the National Occupational Classification (NOC) skill level C or D which requires the completion of a minimum of 12 years of education, equivalent to a high school diploma or on the job training. The Critical Worker Stream is a pilot program to be reviewed annually for both the impact on the industries represented and the occupations selected to participate. There are five occupations selected for initial inclusion: truck drivers, customer service

representatives, labourers, food & beverage servers and housekeeping attendants.

The **International Graduate Stream** is an employer-driven stream that provides opportunity for Prince Edward Island employers to hire a recent graduate from a recognized accredited Canadian university or college. The international graduate must have a full-time job offer in the field of study under National Occupational Classification (NOC) skill level 0, A or B which represents professional, managerial and skilled trade positions. The international graduate must have a valid post graduation work permit with the Prince Edward Island employer he/she is working for at the time of application and is expected to have worked a minimum of six months in the position before submitting an application for nomination.

*(Note: Subsequent to the writing of this report this stream was closed in Dec 2012, applicants of this stream are now encouraged to apply through the Skilled Worker PNP stream or through applicable federal immigration programs.)*



The **Family Connection Stream** strives to identify applicants that will help to grow our economy, enrich our experiences and enhance cultural diversity. Family members who have been identified for possible nomination must have the ability to independently economically establish within the Province. Under this stream, close family members (champions) in Prince Edward Island may serve in a supporting

capacity to assist the applicant to integrate and settle in Prince Edward Island.

*(Note: Subsequent to the writing of this report this stream was closed in Dec 2012, applicants of this stream are now encouraged to apply through the Skilled Worker PNP stream or through the applicable federal immigration programs.)*

## Business Impact Category

---

The **100 % Ownership Stream** was created from the need of Prince Edward Island to stimulate entrepreneurship and new business ventures in the Province. The Province welcomes individuals with entrepreneurial spirit to come to our province and help the growth of the economy. If approved by Immigration Services, the applicant will receive nomination from Prince Edward Island and will need to sign an escrow agreement. The escrow agreement requires the applicant to obtain 100% control of a business through the outright purchase of an existing business or the start of a new business in Prince Edward Island.

The **Partial Ownership Stream** is designed for applicants who wish to transition into the Prince Edward Island business community by becoming a part owner in a business. The applicant must follow the step by step application process. If approved by Immigration Services, the applicant will receive a nomination from Prince Edward Island and will sign the necessary

agreements. The applicant, amongst other conditions, must obtain 33 1/3% of the business' equity or invest \$1,000,000 CAD in the equity of the business.

The **Work Permit Stream** will allow applicants to come to Prince Edward Island and begin working and learning about the business they will be investing in prior to nomination by the Province of Prince Edward Island. If conditionally approved by Immigration Services, the applicant will apply to CIC for a temporary work permit to come to Prince Edward Island to start the process to invest in and operate the business in Prince Edward Island. Upon meeting the terms and conditions of a performance agreement, the applicant will be nominated by Immigration Services for permanent residency to Canada.

## Numbers Behind the Programs

For the period of 2011-2012 there were 317 applications submitted to the Provincial Nominee Program. Table 2 highlights the applications received by their respective categories, showing the popularity of each stream by year.

Since 2006, the Provincial Nominee Program has seen a shift in the number of nominees per category. Until the point of being suspended by IIDI in 2008, the Immigrant Partner program was the main source of nominations by the Province. Since then, the Skilled Worker stream has become the dominant category for nominations, accounting for over 75% of all nominations in 2010. Another noticeable trend in nominations is the increase in the

number of Skilled Worker nominations since 2006-2007 (Table 3). This rise can be attributed to the economic growth that the Province has attained over the past several years and its apparent need for specialized labour. This economic growth has stimulated new business ventures that have in turn created employment opportunities for foreign, high-skilled workers.

Once the Province nominates an applicant, Citizenship and Immigration Canada must also review the file to ensure each potential newcomer is admissible to Canada according to Federal regulations. Approval rates have remained high throughout; reinforcing the high quality of applicants Prince Edward Island nominates (Table 4).

Table 2: Applications Received by Category - Source: captured from the IIDI Internal Database

	2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011		2011-2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
100% Ownership Stream									154	48.58%
Critical Worker Stream							4	3.54%	68	21.45%
Family Connection Stream									33	10.41%
Immigrant Connections (closed)	27	2.48%	32	2.51%	46	33.09%	29	25.66%		
Immigrant Entrepreneur (closed)	10	0.92%	19	1.49%	13	9.35%	6	5.31%		
Immigrant Partner (closed)	999	91.74%	1137	89.04%						
International Graduate Stream									6	1.89%
Partial Ownership Stream									3	0.95%
Skilled Worker	53	4.87%	89	6.97%	80	57.55%	74	65.48%	51	16.09%
Work Permit Stream									2	0.63%
<b>Total:</b>	<b>1089</b>	<b>100%</b>	<b>1277</b>	<b>100%</b>	<b>139</b>	<b>100%</b>	<b>113</b>	<b>100%</b>	<b>317</b>	<b>100%</b>

Table 3: Nominations by Category - Source: captured from the IIDI Internal Database

	2007 – 2008		2008 – 2009		2009 – 2010		2010 – 2011		2011 – 2012	
Category	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
100% Ownership Stream									32	20.51%
Critical Worker Stream									44	28.21%
Family Connection Stream									19	12.18%
Immigrant Connections (closed)	28	3.40%	21	1.08%	28	29.79%	24	22.43%	6	3.85%
Immigrant Entrepreneur (closed)	11	1.34%	1	0.05%	1	1.06%	2	1.87%	5	3.21%
Immigrant Partner (closed)	750	91.13%	1,877	96.11%						
International Graduate Stream									4	2.56%
Partial Ownership Stream									1	0.64%
Skilled Worker	34	4.13%	54	2.76%	65	69.15%	81	75.70%	45	28.85%
Total:	823	100%	1,953	100%	94	100%	107	100%	156	100%

Table 4: Immigration Canada Status by Year - Source: captured from the IIDI Internal Database

	2007 – 2008		2008 – 2009		2009 – 2010		2010 – 2011		2011 – 2012		Total 2001-2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Approved	475	97.54%	624	96.15%	640	94.67%	948	97.43%	429	91.47%	3689	95.60%
Declined	4	0.82%	13	2.00%	21	3.11%	18	1.85%	30	6.40%	102	2.65%
Withdrawn	8	1.64%	12	1.85%	15	2.22%	7	0.72%	10	2.13%	68	1.77%
Total:	487	100%	649	100%	676	100%	973	100%	469	100%	3859	100%

Tables 2, 3 and 4 list program statistics by year, however processing times by both provincial and federal offices may cause any application, nomination or approval procedure to stretch over more than one year. The processing times

differ from case to case based on country of origin and also the time taken for department officials to carry out the due diligence process to ensure that the information submitted has not been tampered with or falsified.

Following approval by CIC, nominees are then able to come to Prince Edward Island under the category for which they were nominated. For the period 2011-2012, 361 Nominees reported landing in Prince Edward Island of a total 488 entering Canada. Although the provincial landings have decreased, the percentage has shown a significant increase (15%) of Provincial Nominees reporting to the Province from previous years (Table 5). It's important to note that nominees aren't obligated to register on arrival so this is a conservative indication of the number of nominees and their families coming to Prince Edward Island. The Prince Edward Island Association for Newcomers to Canada (PEI ANC) collects data on new clients (Table 6). Table 6 illustrates the significant number of new registrants at the PEI ANC, which highlights the important role that settlement services plays for newcomers to Prince Edward Island to encourage integration and retention.

Of the immigrants landing on Prince Edward Island, the majority fell in the age group of 30 to 40 years (Table 7). Most of the nominees in this age bracket are

established individuals already set in their careers or occupations.

Approximately 70% of all nominated applicants are male, which is reasonable considering the predominantly patriarchal culture of the primary countries of origin. However, in the past two years, 70% of all applicants plan to bring at least one immediate family member with them. In 2008-2009, 97% of applicants were planning to bring families. The larger picture for the 2011-2012 period shows that of the 156 Primary Applicants there were a total of 237 family members expected to arrive in the Province after CIC approval. This represents an average family size of 2.52.

The Nominees' top six countries of origin for 2011-2012 are China, the Philippines, Israel, the United Kingdom, the United States, and India. Although, the countries are similar to previous years, a more even distribution is seen compared to previous years (Table 8).

Table 5: PEI Landed Nominees Vs. Immigration Canada Landed Nominees			
	PEI Landed Nominees	CIC Landed Nominees	Percent of Nominees Landing in PEI
2007 - 2008	189	416	45.43%
2008 - 2009	188	512	36.72%
2009 - 2010	291	687	42.36%
2010 - 2011	553	938	58.96%
2011 - 2012	361	488	73.98%

Source: captured from the IIDI Internal Database

Table 6: PEI ANC Intake 2007-2011 - Source: PEI ANC Database

Year	PN	Refugee	Int. Student	TFW	Visitor	Family Class	Canadian	FSW	Total	CIC Total	Percent of Newcomers Registering with PEI ANC
2007	698	85	28	25	36	44	5	20	941	992	94.86%
2008	821	58	24	49	60	61	2	8	1,083	1,456	74.38%
2009	887	81	34	78	54	50	16	32	1,232	1,723	71.50%
2010	1,560	52	26	71	57	17	38	28	1,849	2,851	71.64%
2011	1,149	89	19	73	43	42	22	14	1,451	1,731	83.82%
Total:	5,115	365	131	296	250	214	83	102	6,556	8,483	77.28%

Table 7: Nominations by Age - Source: captured from the IIDI Internal Database

	2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011		2011 - 2012	
Age Group	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
22 - 29	17	2.07%	37	1.89%	33	35.11%	27	25.23%	39	25.00%
30 - 39	186	22.60%	460	23.55%	37	39.36%	31	28.97%	50	32.05%
40 - 49	453	55.04%	1102	56.43%	19	20.21%	34	31.78%	52	33.33%
50 - 59	155	18.83%	338	17.31%	4	4.26%	14	13.08%	13	8.33%
60+	12	1.46%	16	0.82%	1	1.06%	1	0.93%	2	1.28%
Total:	823	100%	1953	100%	94	100%	107	100%	156	100%

Table 8: Nominees by Country of Origin - Source: captured from the IIDI internal database

	2007 - 2008			2008 - 2009			2009 - 2010			2010 - 2011			2011 - 2012		
	Country	#	%	Country	#	%	Country	#	%	Country	#	%	Country	#	%
Top Six Source Countries	China	535	65.01	China	1393	71.33	India	30	31.91	China	15	14.02	China	40	25.64
	Korea (South)	100	12.15	Iran	291	14.90	United Kingdom	14	14.89	Israel	15	14.02	Philippines	34	21.79
	Iran	56	6.80	Korea (South)	42	2.15	China	8	8.51	Philippines	10	9.35	Israel	12	7.69
	Taiwan	30	3.65	Taiwan	31	1.59	Philippines	4	4.26	United Kingdom	10	9.35	United Kingdom	8	5.13
	United Kingdom	13	1.58	Egypt	19	0.97	United States	4	4.26	India	8	7.48	United States	7	4.49
	United States	9	1.09	Viet Nam	19	0.97	Germany	3	3.19	Germany	7	6.54	India	4	2.56
Other Source Countries		80	9.72		158	8.09		31	32.98		42	39.25		51	32.69
Total:		823	100%		1953	100%		94	100%		107	100%		156	100%



Nominees with education levels of 13– 16 years have increased slightly; however, those with 16 or more years of Education doubled in 2011-2012, proving that Prince Edward Island is filling the need for both basic and high-skilled workers. The National

Occupational Classification (NOC) codes allow a more precise view of the types of jobs Nominees are filling in Prince Edward Island. In 2011-2012, NOC skill level O Nominees increased significantly (Table 10).

**Table 9: Nominees by Years of Education**

Years of Education	2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011		2011 - 2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>12 or Less</b>	162	19.68%	351	17.97%	23	24.47%	34	31.78%	43	27.56%
<b>13 - 16</b>	336	40.83%	788	40.35%	16	17.02%	37	34.58%	42	26.92%
<b>16 or more</b>	324	39.37%	811	41.53%	53	56.38%	35	32.71%	70	44.87%
<b>Not Captured</b>	1	0.12%	3	0.15%	2	2.13%	1	0.93%	1	0.64%
<b>Total:</b>	823	100%	1953	100%	94	100%	107	100%	156	100%

*Source: captured from the IIDI Internal Database*

**Table 10: Nominees by NOC**

		2007 - 2008		2008 - 2009		2009 - 2010		2010 - 2011		2011 - 2012	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
<b>0</b>	<b>Management Occupations</b>	741	90.04%	1843	94.37%	8	8.51%	6	5.61%	48	30.77%
<b>A</b>	<b>Skill Level</b>	36	4.37%	34	1.74%	42	44.68%	29	27.10%	22	14.10%
<b>B</b>	<b>Skill Level</b>	33	4.01%	51	2.61%	17	18.09%	23	21.50%	31	19.87%
<b>C</b>	<b>Skill Level</b>	11	1.34%	17	0.87%	25	26.60%	39	36.45%	39	25.00%
<b>D</b>	<b>Skill Level</b>	2	0.24%	2	0.10%	2	2.13%	8	7.48%	16	10.26%
<b>Not Captured</b>		0	0.00%	6	0.31%	0	0.00%	2	1.87%	0	0.00%
<b>Total:</b>		823	100%	1953	100%	94	100%	107	100%	156	100%

**Skill Level A:** Occupations usually require university education, such as auditor, physical science professionals, engineers;

**Skill Level B:** Occupations usually require college education or apprenticeship training, such as clerical supervisors, technical occupations in civil, mechanical and electrical engineering.

**Skill Level C:** Occupations usually require secondary school and/or occupation-specific training, such as clerical occupations, finance and insurance clerk

**Skill Level D:** On-the-job training is usually provided for occupations: such as cashiers, trades helpers and labourers.

*Source: captured from the IIDI Internal Database*

## Attraction/Promotion

---

Based on labour market shortages and understanding the human resources challenges and needs of Island businesses and employers, the recruitment team of Immigration Services plans strategic recruitment mission to address difficult to fill positions on Prince Edward Island. The recruitment team is working closely with Island businesses, employers, sector councils, sister divisions, provincial government departments, and the Atlantic provinces to market Prince Edward Island as a destination of choice that boasts rewarding career opportunities and offers a business community that is supportive of new entrepreneurs and skilled workers. Immigration Services actively consults with pertinent stakeholders raising awareness of the economic and social benefits of immigration for Prince Edward Island.

Immigration Services connects people who would like to settle on Prince Edward Island with the resources that can help them build a career and live comfortably on the Island.

Prince Edward Island attended several popular job fairs in Europe and Canada in the past that served to promote the Island as a destination of choice for newcomers. These fairs provided opportunities to collect resumes to share with Island businesses. This approach was modified to become more strategic whereby missions are now employer driven in markets where candidate pre-screening and overall retention are given greater consideration. These missions focus on extensive business engagement and participation because ultimately, the businesses are the ones hiring nominees.

### Canadian Immigration Integration Program (CIIP)

Immigration Services, in partnership with members of the Atlantic Population Table (APT) and Council of Atlantic Premiers (CAP), are working with the Association of Canadian Community Colleges (ACCC), a consultant for CIC, to expand the Canadian Immigration Integration Program (CIIP) and improve overall attraction of newcomers to Prince Edward Island and Atlantic Canada.

CIIP prepares newcomers for economic integration while still in their country of origin. Launched as a pilot project in 2007, CIIP is now a three-year program (2010-2013) that provides free pre-departure orientation to Federal Skilled Workers, Provincial Nominees, their spouses and adult dependents, while they are still overseas during the final stages of the immigration process.



### Citizenship and Immigration Canada (CIC) Portal

CIC allocates funds to individual jurisdictions to increase the quality of online content for potential and landed immigrants. The desired outcome is improved recruitment, improved settlement and integration of newcomers, and the retention of immigrants. Immigration Services is now responsible for the Citizenship and Immigration Canada (CIC) Portal Agreement for the Province. The Agreement began in the 2006-07 fiscal year and ended in 2009-10. In 2010, a two-year extension was granted and under the new agreement, terminating March 2013. In 2011/2012 projects included:

- Complete redesign of [www.opportunitiespei.ca](http://www.opportunitiespei.ca)

- Translation of the Mandarin Prince Edward Island Newcomers Guide
- Translation of Land Cradled on the Waves
- Translation of PEI Home and School Tool Kit
- Other various translations; and
- The development of a series of settlement videos for opportunitiespei.ca and promotional purposes.

Projects with the PEI ANC included online newcomer guide maintenance, upgrades to interpreter/translator module, and updates to website content and translations.

## Settlement/Retention

---

### Prince Edward Island Settlement Strategy

Under the former Population Secretariat, the Government of Prince Edward Island released the Settlement Strategy in December, 2010 to guide service providing organizations and the Public Service in settling, integrating, and retaining newcomers in Prince Edward Island. With the reorganization of the Population Secretariat and Immigration Services, the

Prince Edward Island Settlement Strategy remains a significant pillar in IIDI's mandate to sustain and grow Prince Edward Island's population while also encouraging a more diverse population. The Settlement Strategy is adaptive and responsive to the evolving needs of newcomers in the Province. The Strategy has several initiatives that are being delivered on a three-year timeline.

### PEI Connectors Program

The PEI Connectors Connecting Newcomers, Business and Opportunities Program is delivered by the Greater Charlottetown Area Chamber of Commerce. The PEI Connectors Program was launched in June, 2011 by the former Population Secretariat. The Program is funded to:

- Focus on introducing interested newcomers to key business and government contacts;
- Facilitate newcomers either establishing their own business or joining existing businesses;
- Focus on enterprise and business development;

- Connect newcomers who wish to pursue professional and/or employment interests to the most appropriate body; and
- Achieve the goal of assisting a minimum of 10 newcomers to make direct contact with 100 business people (this goal has already been surpassed).

An Advisory Committee comprised of prominent business people who provide advice and referrals to support the program was created by the Chamber.

### Immigration Forums and Discussion Series – Greater Charlottetown Area Chamber of Commerce

The Immigration Forum and Discussion Series 2011 was funded to:

- Be a networking luncheon with a high profile keynote speaker and discussion panel;
- Identify the roles of business in integrating newcomers into our community;
- Increase the understanding within the business community of the need for immigration to our province;
- Generate media coverage of the forum to inform the public about the importance of immigration and the community's role in retention;

- Generate a series of quarterly discussions (luncheon or breakfast presentations) dealing with issues that arise from the Forum; and
- Encourage partnerships, input and participation from stakeholder organizations, the business and newcomer communities.

Dr. Naomi Albion, one of the foremost experts on immigration policy in Canada spoke at an event in the summer of 2011 and provided some insight for future policy directions.

### **Translation and Distribution of the Newcomer Orientation Handbook**

The Newcomer's Guide has been updated from its original state due to popularity. It has been printed and translated into Mandarin with further languages to follow based on need. Together with the settlement portal Opportunities PEI,

newcomers have comprehensive information about settling in Prince Edward Island. Copies have been sent to our primary settlement agency and feedback has been positive.

### **Self-Employment Counselor at the PEI ANC- Pilot**

During consultations with stakeholders on the Settlement Strategy, newcomers identified the need for a self-employment counselor. Funding was provided in 2011-2012 to the PEI ANC to create the Self-Employment Counselor position in recognition that the role would help with newcomer integration and retention in the Province while also encouraging economic development opportunities.

The Self-Employment Counselor acts as a navigator for clients who wish to set up their own businesses in the province. The Self-Employment Counselor has also developed a manual on how to start your own business, which ensures that newcomers have access to information on starting their own business.

### **Extending Interpretation Services – PEI ANC**

As language barriers continue to be a challenge in accessing primary services, Immigration Services has broadened the criteria for which an interpreter is provided free of charge for various newcomer needs. Immigration Services has provided funding to the PEI ANC on a needs basis to enhance interpretation services to include pharmacy visits and school orientations.

These funds are accessed on demand by the PEI ANC with Immigration Services. Once more, this is an initiative that is adaptive and responsive to evolving newcomer needs in the province. This initiative helps ensure that newcomers are accessing the services they require to settle, integrate, and stay in Prince Edward Island.

### **Collaborate for Diversity Events – Asian Heritage Society PEI**

Immigration Services has funded the Youth Networking Breakfast, which was held in March, 2012. This event assists newcomer students with networking and discovering what career and education opportunities are available in Prince Edward Island. This is

the second year that Immigration Services has provided funding. Immigration Services recognizes that this event promotes awareness on opportunities that may retain newcomer children in Prince Edward Island.

### **Inter-Departmental Advisory Committee on Immigration and Settlement**

This committee is a partnership of provincial government departments and affiliated agencies. It is tasked with discussing issues affecting settlement and retention from a government service delivery and policy perspective. As an initiative of the Prince Edward Island Settlement Strategy, it

is intended to identify issues for which departmental policy does not exist and facilitate interdepartmental communication to achieve a provincial approach to immigrant settlement.

### **Prince Edward Island Newcomers Guide**

The Newcomers Guide to Prince Edward Island is a print and online resource for potential and landed immigrants to Prince Edward Island. This guide is designed to ease the transition process for newcomers and provide them with information and direction on a number of orientation items

and other needs they may encounter during their first weeks, months and years in the Province.

The guide can be located at  
[www.opportunitiespei.ca](http://www.opportunitiespei.ca)

### **Language Services**

Language proficiency is an important element for newcomers obtaining employment and community involvement. Newcomers face significant barriers if they have little ability in one of Canada's official languages. CIC provides funding to Study Abroad and Holland College to deliver language training to newcomers in Prince Edward Island. In 2011-2012, Immigration Services funded 150 language seats to supplement CIC language instruction for newcomers. Immigration Services recognizes that language training helps immigrants' economic and social integration

and retention in Prince Edward Island. Once more, language funding is responsive and adaptive to newcomers' needs in the Province.

A language training assessment questionnaire was created and distributed to students at both language training institutions that receive provincial funding – Study Abroad Canada and Holland College. Approximately 40 students were surveyed at each institution to determine students' level of satisfaction with language training.

### PEI Association for Newcomers to Canada (PEI ANC)

The PEI ANC is the primary settlement service providing organization in the province. Immigration Services works closely with the PEI ANC to help encourage positive newcomer settlement, integration, and retention outcomes. Immigration Services also works closely with Citizenship and Immigration Canada to provide funding to ensure that we can settle and retains immigrants landing in Prince Edward Island.

The PEI ANC currently has over 30 staff working in 9 different programs. The PEI ANC delivers several programs under the following primary areas:

- Settlement and Integration;
- Employment Programs;
- Immigrant Youth;
- Language Services; and
- Community Outreach.

During the 2011-2012 fiscal year, the PEI ANC registered the following statistics:

#### Top Source Countries

1. China – 735
  2. Iran - 246
  3. Bhutan - 81
  4. Israel - 32
  5. India - 31
- Total clients – 1,362

#### Top Categories Requesting Services:

1. Provincial Nominees -1,029
2. Refugee (GAR) - 97
3. Work Permit -71
4. Visitor Visa - 50
5. Family Class -32

### La Coopérative d'intégration francophone (CIF)

CIF is responsible for creating welcoming communities for francophone newcomers to the province. In 2011-2012, the organization implemented several initiatives including: anti-racism workshops for teachers, community networking gatherings,

promotional activities, and diversity presentations in schools. Immigration Services will continue to work with CIF to encourage the francophone attraction, settlement, and retention in Prince Edward Island.

### PERCÉ

RDÉE administers the PERCÉ program, which offers post-secondary students paid internships mentoring opportunities in their field of study. PERCÉ is designed to provide a means for Island youth to access employment opportunities in Prince Edward Island, which helps encourage repatriation and increase youth retention. PERCÉ was initiated in 2004 by La Société de développement de la Baie acadienne (SDBA), in partnership with RDÉE Prince

Edward Island, as a pilot project. During the first few years, the program was aimed at Acadian and francophone students from Prince Edward Island. The program expanded in 2007 to include Anglophone students. In 2011-2012, Immigration Services provided funding to RDÉE to continue delivering PERCÉ. PERCÉ had 16 participants placed in different sectors across the province. 7 Francophones and 9 Anglophones participated.



### International Tea House

Immigration Services has also continued to fund the International Tea House, which was one of the few initiatives in Prince Edward Island that provided an atmosphere of multicultural collaboration and where cultures interacted in an educational and

social environment. As result of this worthwhile series of events, there is an improved understanding of multiculturalism and the contributions of newcomers in Prince Edward Island.

## Temporary Foreign Workers (TFWs)

---

TFWs are important persons in addressing acute labour market needs in Prince Edward Island. Immigration Services engages Island employers and businesses regarding hiring TFWs and promotes transitional pathways to permanent residency through the Labour Impact Category of the PEI PNP. Under current Immigration regulations, responsibility for the TFW category resides with the federal government departments of Human Resources and Skills Development Canada (HRSDC) and CIC. "HRSDC and CIC work to ensure that the employment of foreign workers supports economic growth and helps create more opportunities for all Canadians."<sup>i</sup> However, provinces including Prince Edward Island are increasingly asked to assume certain responsibilities for TFWs. Requests from local employers, federal officials and the workers themselves are broadening the scope of programs like the Provincial Nominee Program to further engage new workers in the local economy.

Many factors have led to this increase in interest, primarily the responsive nature of the category itself. This factor is a primary reason for Prince Edward Island adopting a two-step approach to permanent residency under the Critical Worker Stream of the PEI PNP; by first encouraging entry via a temporary work permit as a "probationary period" for both the immigrant and the employer before committing to permanent status. This approach affords each party to the employment agreement the opportunity to explore not only the suitability of the work arrangement but also to experience the lifestyle enjoyed in Prince Edward Island. In Prince Edward Island for calendar year 2011, the Province received 588 new entry (new and/or returning vs. those here for longer than one year) TFWs into the economy. This represents 9% of the TFW pool entering Atlantic Canada at some point during the year (Table 10).

[http://www.hrsdc.gc.ca/eng/workplaceskills/foreign\\_workers/index.shtml](http://www.hrsdc.gc.ca/eng/workplaceskills/foreign_workers/index.shtml)

**Table 10: Total entries of foreign Temporary Foreign Workers by Atlantic Provinces, 2007-2011**  
Source: Citizenship and Immigration Canada, RDM, Facts and Figures 2011

Jan 1 - Dec 31											
		2007		2008		2009		2010		2011	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Foreign Workers	Newfoundland and Labrador	1,232	27.9%	1,295	23.2%	1,391	21.7	1,194	20.3	1,333	20.2%
	Prince Edward Island	217	4.9%	448	8.0%	520	8.1%	530	9.0%	588	8.9%
	Nova Scotia	1,868	37.8%	2,128	38.1%	2,798	43.6%	2,479	42.1%	2,844	43.2%
	New Brunswick	1,290	29.3%	1,709	30.6%	1,702	26.5%	1,688	28.7%	1,818	27.6%
Total:		4,407	100.0%	5,580	100.0%	6,411	100.0%	5,891	100.0%	6,583	100.0%

## Temporary Foreign Students

The federal government maintains jurisdiction over the issuance of study permits to International Students. In Prince Edward Island for calendar year 2011, the province received 241 new international student entrants.

This represents 5.0% of the total international post-secondary student body entering Atlantic Canada (Table 11).

**Table 10: Total entries of foreign Temporary Foreign Students by Atlantic Provinces, 2007-2011**  
Source: Citizenship and Immigration Canada, RDM, Facts and Figures 2011

Jan 1 - Dec 31											
		2007		2008		2009		2010		2011	
		Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Foreign Students	Newfoundland and Labrador	566	13.7%	648	13.6%	527	10.8%	540	9.8%	489	10.1%
	Prince Edward Island	214	5.2%	257	5.4%	324	6.7%	255	4.6%	241	5.0%
	Nova Scotia	2,167	52.5%	2,522	53.1%	2,801	53.5%	3,353	60.6%	2,903	60.0%
	New Brunswick	1,179	28.6%	1,323	27.9%	1,414	29.1%	1,381	25.0%	1,207	24.9%
Total:		4,126	100.0%	4,750	100.0%	4,866	100.0%	5,529	100.0%	4,840	100.0%



IIDI recognizes the potential in attracting international students. International students possess strong language skills, have settled in Prince Edward Island during their training, and have obtained Canadian credentials. Increasing the retention of international students is a priority for IIDI, as international students that remain can fill valuable skilled positions in the Province's labour market while also increasing the diversity in Prince Edward Island.

Officials from IIDI continue to have discussions with officials of Post-Secondary and Continuing Education, the Department of Education and Early Childhood Development, Island post-secondary institutions, and other stakeholders with an objective of establishing a closer link between stakeholders to develop sound policy on attracting and retaining international students.

## Use of Proceeds Agreement

---

Following the recommendation of the Auditor General, IIDI developed a follow-up procedure for businesses that signed a Use of Proceeds Agreement. All businesses that signed a Use of Proceeds Agreement were subject to random sample which was blindly selected by a qualified chartered accountant firm applying Canadian Generally Accepted Auditing Standards. The firm was not provided with the names of the businesses that signed agreements, nor were they given any information that would be relevant in determining the businesses' identity.

Of the 878 businesses that signed agreements, 158 were randomly selected for follow-up. The random sample was designed to provide a confidence level of 90% that the selected sample represents the population. Businesses that signed an agreement were required to spend the funds received in material compliance with their Use of Proceeds Agreement within two years.

All 158 businesses have been sent a letter which requests information, including financial statements, which is necessary for IIDI to assess the Use of Proceeds Agreement. As financial statements are required to be submitted, each business needs to wait for their financial statements to be completed before submitting information. Often this will be at least six months after their year end. For this reason, each business' response date is six months after their year-end last affected by their Use of Proceeds Agreement.

As of March 31, 2012, 118 of the 158 companies selected in the blind random sample have responded to IIDI. These submissions are being assessed against program criteria.

## Fund Management and Lending

IIDI through Prince Edward Island Century 2000 Fund Inc. ("PEICF"), receives repayable advances from the Federal Immigrant Fund which are, in turn, used to make strategic repayable loans to Prince Edward Island businesses in an effort to stimulate economic development.

General lending conditions associated with PEICF loans are as follows:

- Loans are available for a maximum term of 5 years, which matches PEICF's 5 year term with the Federal Immigration Fund;
- Loans bear interest at an annual rate of 4%. The annual rate is comprised of PEICF's cost of borrowing from the Federal Immigration Fund, the cost to administer the loan portfolio and the risk associated with lending activities;
- All loans must be secured and, as such, PEICF seeks similar security packages as would be ordinarily sought by a traditional chartered bank.

PEICF's lending activities are aligned with Innovation PEI's ("IPEI") sectors of Aerospace, Renewable Energy, Bioscience, Information Technology and Manufacturing and Processing. On occasion, PEICF may also finance certain strategic projects that may fall outside of IPEI's strategic sectors, but have significant economic benefits to the Island community.

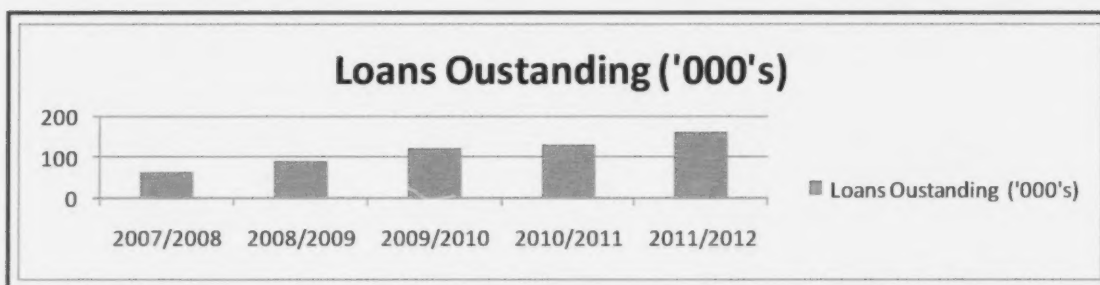
Some good examples of PEICF's strategic lending activities include our participation in certain major biotech, aerospace, aquaculture, shipbuilding and traditional manufacturing development projects undertaken in Summerside, Charlottetown,

Morell, Georgetown and other communities across the province that will significantly contribute to the future economic prosperity of these communities.

During fiscal 2011/12, PEICF's loan portfolio exhibited growth with \$70.1 million in new loans approved to Island businesses having an average loan size of \$3.3 million. Overall, the total number of loan accounts at fiscal increased by 8% to 94 while the portfolio value (loans outstanding) grew by 23% to \$159.1 million in comparison to the prior fiscal year.

The continued growth in financing approvals is attributed to a consistent demand for financing as a result of on-going access to capital issues in the market place. At fiscal year-end, the financing approved for several large projects remained undisbursed, therefore, is not reflected in the value of loans outstanding. In many instances PEICF works in partnership with traditional lending institutions, Federal Government agencies and other local economic development agencies to complete financing packages for projects.

PEICF's loan portfolio is managed by the Lending Services division of IPEI, the lead provincial crown corporation responsible for business development.



# **Appendix A**

## **Island Investment Development Inc.**

### **Board of Directors 2011-2012**

<b>Board Member</b>	<b>Department</b>
Melissa MacEachern	Innovation and Advanced Learning
Richard Gallant	Fisheries, Aquaculture and Rural Development
Doug Clow	Department of Finance, Energy and Municipal Affairs
Neil Stewart	Innovation and Advanced Learning
John MacQuarrie	Department of Agriculture and Forestry
Cheryl Paynter	Innovation PEI

## **Appendix B**

### **Audited Financial Statements**

# **Island Investment Development Inc.**

**Consolidated Financial Statements**  
**March 31, 2012**

June 25, 2012

## **Independent Auditor's Report**

**To the Board of Directors of  
Island Investment Development Inc.**

We have audited the accompanying consolidated financial statements of Island Investment Development Inc., which comprise the consolidated statement of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the consolidated statement of comprehensive income, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Island Investment Development Inc. as at March 31, 2012, March 31, 2011 and April 1, 2010, and the results of its operations and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

*ArsenaultBestCameronEllis*

**Chartered Accountants**



# Island Investment Development Inc.

## Consolidated Statement of Financial Position

As at March 31, 2012

	March 31, 2012 \$	March 31, 2011 \$	April 1 2010 \$
<b>Assets</b>			
Cash	30,882,778	34,727,804	12,337,480
Marketable securities	99,953,265	83,251,579	59,766,306
Accounts receivable (note 13)	192,705	231,712	479,763
Demand loan receivable (note 8)	6,998,621	6,998,621	14,998,621
Advances to related companies (note 13)	3,577,500	2,500,000	2,500,000
Notes receivable (note 9)	130,940,279	106,133,773	114,906,198
Deferred financing costs (note 10)	7,602,930	7,985,708	7,215,804
Restricted funds (note 11)			
Cash and marketable securities	38,060,256	63,983,430	93,469,170
	<u>318,208,334</u>	<u>305,812,627</u>	<u>305,673,342</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities (note 13)	1,171,249	1,071,155	3,403,900
Notes payable (note 12)	225,836,710	203,253,789	179,991,306
Restricted funds (note 11)	38,060,256	63,983,430	93,469,170
	<u>265,068,215</u>	<u>268,308,374</u>	<u>276,864,376</u>
<b>Retained earnings</b>	<u>53,140,119</u>	<u>37,504,253</u>	<u>28,808,966</u>
	<u>318,208,334</u>	<u>305,812,627</u>	<u>305,673,342</u>

Approved by the Board of Directors

  
Director

  
Director

**Island Investment Development Inc.**  
**Consolidated Statement of Changes in Equity**  
**For the year ended March 31, 2012**

---

	2012 \$	2011 \$
Retained earnings - Beginning of year	37,504,253	28,808,966
Net earnings for the year	15,635,866	8,695,287
Retained earnings - End of year	53,140,119	37,504,253

# Island Investment Development Inc.

## Consolidated Statement of Earnings

For the year ended March 31, 2012

	2012 \$	2011 \$
<b>Revenue</b>		
Interest on notes and loan receivable (note 13)	5,930,566	5,053,954
Investment income on marketable securities	3,584,874	4,539,374
Provincial Nominee Program fees	432,000	31,500
Provincial Nominee Program defaults (note 11)	17,801,948	16,941,385
Grants - related company (note 13)	1,140,000	-
Settlement and retention fees	-	65,000
	<u>28,889,388</u>	<u>26,631,213</u>
<b>Expenses</b>		
Salaries (note 13)	671,593	643,636
Management fees (note 13)	500,000	500,000
Interest and bank charges	2,295	1,938
Professional fees	318,705	229,537
Office	37,107	14,553
Meetings and conferences	8,062	128
Promotion and advertising (recovery)	19,146	(46,191)
Equipment	-	9,423
Provision for possible losses	6,831,864	13,734,870
Consulting fees	143,649	21,151
Travel	28,894	17,382
Education contribution	969,154	1,101,318
Rent	50,000	50,000
Technology services	65,000	-
Amortization	2,927,776	2,663,044
	<u>12,573,245</u>	<u>18,940,789</u>
<b>Operating earnings</b>	16,316,143	7,690,424
<b>Other income (expense)</b>		
Unrealized gain (loss) on marketable securities	(680,277)	1,004,863
<b>Net earnings for the year</b>	<u>15,635,866</u>	<u>8,695,287</u>

# Island Investment Development Inc.

## Consolidated Statement of Cash Flows For the year ended March 31, 2012

	2012 \$	2011 \$
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Net earnings for the year	15,635,866	8,695,287
Items not affecting cash		
Amortization of deferred financing costs	2,927,776	2,663,044
Unrealized loss (gain) on marketable securities	680,277	(1,004,863)
Provision for possible losses	6,831,864	13,734,870
	26,075,783	24,088,338
Net change in non-cash working capital items		
Decrease in accounts receivable	39,007	248,050
Increase (decrease) in accounts payable and accrued liabilities	100,094	(2,332,745)
	26,214,884	22,003,643
<b>Financing activity</b>		
Increase in notes payable	22,582,921	23,262,483
Increase in advances to related companies	(1,077,500)	-
	21,505,421	23,262,483
<b>Investing activities</b>		
Decrease in demand loan receivable	-	8,000,000
Increase in marketable securities - net	(17,381,963)	(22,480,409)
Decrease in restricted funds - cash and marketable securities	25,923,174	29,485,740
Decrease in restricted funds - liability	(25,923,174)	(29,485,740)
Increase in notes receivable - net	(31,638,370)	(4,962,445)
Increase in deferred financing costs	(2,544,998)	(3,432,948)
	(51,565,331)	(22,875,802)
<b>Increase (decrease) in cash</b>	(3,845,026)	22,390,324
<b>Cash - Beginning of year</b>	34,727,804	12,337,480
<b>Cash - End of year</b>	30,882,778	34,727,804
<b>Supplementary disclosure</b>		
Interest received	9,700,768	9,170,085
Interest paid	902	807

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

---

### 1 Reporting entity

The company is a provincial Crown corporation established under the provisions of the Island Investment Development Inc. Act and is therefore a non-taxable entity under the provisions of the Income Tax Act.

The company is the corporate administrator of government-administered venture capital funds in the Province of Prince Edward Island with its purpose to invest in active business operations. The investments are made in typically new or expanding companies and, as such, there is a significant degree of credit risk. Credit risk is defined as the risk that the note holder will fail to discharge an obligation in whole or in part resulting in a financial loss to this company.

The company administers the Prince Edward Island Provincial Nominee Program on behalf of the Province of Prince Edward Island, and charges applicants under the program various fees to process the applications received.

Island Investment Development Inc.'s head office is located in Charlottetown, Prince Edward Island.

### 2 Agent agreement

#### Prince Edward Island Century 2000 Fund Inc.

The Federal Minister of Citizenship and Immigration acts as an Agent for the company by receiving investments from immigrant investors and disbursing them to the provincial designates in accordance with the allocation formula set out in the federal Immigration Regulations, 1978. All monies received by the Agent pursuant to the issuance of debt obligations are held by the Agent in a separate account from the moment such monies are received, on behalf of the company and the provincial designates. Investments are subject to a commission agreement whereby a 7% commission (effective for facilitated investments received between July 1, 2001 and December 1, 2010) or a 5% commission (effective for facilitated investments received on or after December 1, 2010) on the provincial allocation is paid to a party which facilitates an investment. These commissions are paid out of the special account by the Agent on the first day of the second month following the issuance of a visa to the investor who made the facilitated investment, and are recorded as deferred financing charges by the company.

The Agent disburses the provincial allocation, less applicable commissions, to the company at the beginning of the five-year allocation period. The Agent issues a promissory note to the investor on behalf of the company. The company is obligated to repay the note, bearing interest at 0%, within 30 days after the expiry of the allocation period.

The company is required to repay the investor, through the Agent, the investor's provincial allocation within 90 days of receipt by the Agent of a request by the investor to withdraw his/her application for permanent residence, or upon the refusal of the application by the Minister.



# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2012

---

## 3 Basis of presentation

### (a) Statement of compliance

Island Investment Development Inc. prepares its financial statements in accordance with Canadian generally accepted accounting principles as defined in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and to require publicly accountable enterprises to apply these standards effective for years beginning on or after January 1, 2011. In these financial statements, the term "Canadian GAAP" refers to Canadian GAAP before the adoption of IFRS.

These financial statements have been prepared in compliance with IFRS and have consistently applied the same accounting policies in its opening IFRS statement of financial position at April 1, 2010 and throughout all periods presented, as if these policies have always been in effect. The company has applied IFRS 1- First-time adoption of International Financial Reporting Standards in preparing these first IFRS financial statements. An explanation of the impact of the transition to IFRS is provided in note 7.

These financial statements have been approved for issue by the Board of Directors on June 25, 2012.

### (b) Basis of consolidation

These financial statements include the operations of Island Investment Development Inc. and its wholly-owned subsidiary, Prince Edward Island Century 2000 Fund Inc. (Century 2000 Fund).

### (c) Basis of measurement

These financial statements have been presented on the historical cost basis except for certain financial instruments as indicated in note 4.

### (d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the company's functional currency.

### (e) Use of estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and report amounts of assets, liabilities, revenue and expenses during the period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The judgments that have the most significant effect on the amounts recognized in the financial statements are with respect to the allowance for loan losses, as detailed in note 5.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

---

### 4 Summary of significant accounting policies

#### (a) Financial instruments

##### i) Recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued. At initial recognition, the company classifies its financial instruments as follows:

- Financial instruments at fair value through profit or loss (FVTPL)

Financial assets held for trading are reported at FVTPL with changes in fair value reported through the statement of comprehensive income. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term, if so designated by management or it is a derivative that is not designated and effective as a hedging instrument.

Financial assets carried at fair value through the income statement are initially recognized, and subsequently carried at fair value, with changes recognized in the statement of earnings. Transaction costs are expensed.

Assets in this category includes marketable securities.

- Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are recorded at fair value on initial recognition and subsequently at amortized cost using the effective interest method.

Assets in this category includes cash, accounts receivable, advances to related companies, demand loan receivable and notes receivable.

- Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method.

Liabilities in this category include accounts payable and accrued liabilities, notes payable and restricted funds.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

---

### ii) Impairment of financial instruments

The company determines, at each balance sheet date, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired, and impairment losses are recorded, only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and the loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the company on non-market terms that the company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as conditions that correlate with defaults in the group.

- Financial assets classified as loans and receivables

For the purposes of individual evaluation of impairment, the amount of the impairment loss on a loan or receivable is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of earnings. The calculation of the carrying value reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

The methodology and assumptions used for estimating future cash flows are reviewed regularly by the company to reduce any differences between loss estimates and actual loss experience. When a loan is uncollectible, it is written off after all the necessary procedures have been completed and the amount of loss has been determined. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of earnings in provision for possible losses expense.

Loans that were past due and either subject to collective impairment assessment or are individually significant and whose terms have been renegotiated are not longer considered to be past due but are treated as new loans. In subsequent years, if the loan becomes past due, this will be disclosed only if renegotiated again.

### (b) Cash

Cash includes cash held in banks.

### (c) Deferred financing costs

The costs incurred in obtaining financing have been capitalized and are being amortized using the straight-line basis over the term of the notes payable, which is sixty months.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

---

(d) Revenue recognition

Investment income is recorded in the period earned.

Interest accrued on notes and loans receivable is recognized as revenue in the period earned.

Provincial Nominee Program fees and settlement and retention fees are recorded as revenue when earned.

Provincial Nominee Program defaults are recorded as revenue in the year in which the deposit period ends and the applicant does not meet the conditions for repayment.

(e) Standards issued but not yet effective

As at March 31, 2012, a number of standards and interpretations, and amendments thereto, had been issued by the IASB, which are not effective for these financial statements. Other than the introduction of IFRS 9 described below, these changes are not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments, was issued in November 2009 and addresses classifications and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaced the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39, Financial Instruments – Recognition and Measurement, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income.

This standard is effective for periods beginning on or after January 1, 2015.

## 5 Critical accounting estimates and judgments

The company makes estimates and assumptions concerning the future that will, by definition, seldom equal actual results. These estimates and judgments have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the period the assumptions changed. The principal area involving a higher degree of judgment or complexity and/or area which require significant estimates is described below:

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

### *Provision for possible losses*

The company regularly reviews its loan portfolio to assess for impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is any observable data indicating an impairment trigger followed by a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of members in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

## 6 Financial instruments

### *Fair values versus carrying amounts*

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	March 31, 2012		March 31, 2011	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Assets carried at fair value</b>				
Financial assets held for trading	138,013,521	138,013,521	147,235,009	147,235,009
<b>Assets carried at amortized cost</b>				
Notes, receivables and advances	141,709,105	141,709,105	115,864,106	115,864,106
Cash	30,882,778	30,882,778	34,727,804	34,727,804
	172,591,883	172,591,883	150,591,910	150,591,910
<b>Liabilities carried at amortized cost</b>				
Accounts payable and accrued liabilities	1,171,249	1,171,249	1,071,155	1,071,155
Notes payable	225,836,710	225,836,710	203,253,789	203,253,789
Restricted funds	38,060,256	38,060,256	63,983,430	63,983,430
	265,068,215	265,068,215	268,308,374	268,308,374

The fair value of financial assets held for trading is determined by their quoted market value at the reporting date.



# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

### 7 First-time adoption of IFRS

As stated in note 3(a), these are the company's first financial statements prepared in accordance with IFRS.

The accounting policies set out in note 4 have been applied in preparing the financial statements for the year ended March 31, 2012, the comparative information presented in these financial statements for the year ended March 31, 2011 and the preparation of an opening IFRS statement of financial position at April 1, 2010 (the company's date of transition).

In preparing its opening IFRS statement of financial position, the company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the company's financial position and financial performance is set out in the following tables and notes that accompany the tables.

#### Reconciliation of Statement of Financial Position at April 1, 2010:

	Previous Cdn. GAAP \$	Effect of IFRS \$	IFRS \$
<b>Assets</b>			
Cash	12,337,480	-	12,337,480
Marketable securities	59,766,306	-	59,766,306
Accounts receivable	479,763	-	479,763
Advances to related company	2,500,000	-	2,500,000
Demand loan receivable	14,998,621	-	14,998,621
Notes receivable (a)	104,913,532	9,992,666	114,906,198
Restricted funds	93,469,170	-	93,469,170
Deferred financing costs	7,215,804	-	7,215,804
<b>Total assets</b>	<b>295,680,676</b>	<b>9,992,666</b>	<b>305,673,342</b>
<b>Liabilities and retained earnings</b>			
Accounts payable and accrued liabilities	3,403,900	-	3,403,900
Notes payable	179,991,306	-	179,991,306
Restricted funds	93,469,170	-	93,469,170
Retained earnings (a)	18,816,300	9,992,666	28,808,966
	<b>295,680,676</b>	<b>9,992,666</b>	<b>305,673,342</b>

# Island Investment Development Inc.

Notes to Consolidated Financial Statements

March 31, 2012

## Reconciliation of comprehensive income for the year ended March 31, 2011:

		Previous Cdn. GAAP \$	Effect of IFRS \$	IFRS \$
<b>Revenues</b>				
Total	(b)	26,193,049	438,164	26,631,213
<b>Expenses</b>				
Other expenses		2,542,875	-	2,542,875
Provision for possible losses	(c)	3,304,040	10,430,830	13,734,870
Amortization		2,663,044	-	2,663,044
		8,509,959	10,430,830	18,940,789
<b>Operating earnings (loss)</b>		17,683,090	(9,992,666)	7,690,424
<b>Other income</b>				
Unrealized gain on marketable securities		1,004,863	-	1,004,863
<b>Net earnings (loss) for the year</b>		18,687,953	(9,992,666)	8,695,287

## Reconciliation of Statement of Financial Position at March 31, 2011:

There are no material differences between this statement of financial position presented under IFRS and the statement presented under previous Canadian GAAP.

## Reconciliation of the Statement of Cash Flows for the year ended March 31, 2011:

There are no material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP other than the effects of the transition to IFRS noted below.

## Notes to describe the effect of IFRS on the previous Canadian GAAP statements:

- Under IFRS, the provision for possible losses is calculated in a different manner than how it was calculated under previous Canadian GAAP. As a result, the provision for possible losses and the accompanying allowance for possible losses were decreased by \$9,992,666 at April 1, 2010. This results in the statement of financial position showing an increase of \$9,992,666 in the notes receivable at April 1, 2010.
- Under IFRS, interest continues to be accrued for impaired loans; whereas under previous Canadian GAAP, interest was no longer recognized once a loan became impaired. As a result, interest on loans receivable recognized in the statement of comprehensive income for the year ended March 31, 2011 increased by \$438,164.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

- (c) Under IFRS, the provision for possible losses is calculated in a different manner than how it was calculated under previous Canadian GAAP. As a result, the provision for possible losses was increased by \$9,992,666 for the year ended March 31, 2011 in the statement of comprehensive income. In addition, the provision for possible losses increased by another \$438,164 for the increase in interest income on impaired loans noted above in (b) resulting in a total increase of \$10,430,830.

### 8 Demand loan receivable

During a prior year, the company entered into an agreement with Innovation PEI, a provincial Crown corporation, to provide a \$15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2012 is \$6,998,621 (2011 - \$6,998,621).

Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand loan is secured by a promissory note for \$15,000,000 and a revolving credit agreement.

### 9 Notes receivable

		Impaired loans included in total	Individual Allowance	March 31, 2012 Net	March 31, 2011 Net	April 30, 2010 Net
	Total \$	\$	\$	\$	\$	\$
<b>Working capital</b>						
Manufacturing and processing	2,494,825	2,494,825	1,621,637	873,188	873,188	1,249,000
Tourism	25,403,931	25,403,931	10,000,000	15,403,931	11,646,664	5,811,538
Small business	22,242,351	7,377,332	2,261,141	19,981,210	18,346,910	17,400,545
	50,141,107	35,276,088	13,882,778	36,258,329	30,866,762	24,461,083
<b>Long-term loans</b>						
Manufacturing and processing	73,520,099	13,889,123	8,019,193	65,500,906	49,735,990	63,273,944
Technology	3,198,300	-	-	3,198,300	5,102,726	6,123,303
Aerospace	10,719,103	8,622,482	5,140,000	5,579,103	3,708,041	4,337,998
Tourism	17,288,146	11,249,330	3,836,391	13,451,755	10,802,845	9,909,249
Small business	5,343,372	-	-	5,343,372	5,083,926	5,587,358
Agriculture	487,139	486,110	486,110	1,029	249,228	399,733
	110,556,159	34,247,045	17,481,694	93,074,465	74,682,756	89,631,585
<b>Accrued interest</b>	2,765,266	-	1,157,781	1,607,485	584,255	813,530
	163,462,532	69,523,133	32,522,253	130,940,279	106,133,773	114,906,198

The fair value of the collateral held by the company as security for the impaired loans was \$40,592,693 (2011 - \$37,328,661). The company has estimated the fair value of collateral based on an updated assessment of the security appraisal undertaken at the original funding assessment and management's knowledge of local real estate and business market conditions.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

### Continuity of individual allowance

	Beginning balance \$	Provision \$	Reversal \$	March 31, 2012 Ending Balance \$	March 31, 2011 Ending Balance \$
<b>Working capital</b>					
Manufacturing and processing	1,621,637	-	-	1,621,637	1,621,637
Tourism	4,942,930	5,057,070	-	10,000,000	4,942,930
Small business	2,261,665	-	524	2,261,141	2,261,665
	8,826,232	5,057,070	524	13,882,778	8,826,232
<b>Long-term loans</b>					
Manufacturing and processing	6,872,323	1,154,870	8,000	8,019,193	6,872,323
Aerospace	5,140,000	-	-	5,140,000	5,140,000
Tourism	3,836,391	500,000	500,000	3,836,391	3,836,391
Agriculture	250,000	235,110	-	486,110	250,000
	16,098,714	1,890,980	508,000	17,481,694	16,098,714
<b>Accrued interest</b>	765,443	392,338	-	1,157,781	765,443
	25,690,389	7,340,388	508,524	32,522,253	25,690,389

### Loans past due but not impaired

A loan is considered past due when a payment has not been received by the contractual due date. The following table presents the carrying value of the loans that are past due but not classified as impaired as they are either (i) less than 90 days past due unless there is information to the contrary that an impairment event has occurred or (ii) fully secured and collection efforts are reasonably expected to result in repayment.

Loans that are past due but not impaired are as follows:

	Current \$	90 - 120 days \$	120 - 150 days \$	150 - 180 days \$	+180 days \$	Total \$
As at:						
March 31, 2012	88,692,950	999,000	-	1,624,365	2,623,084	93,939,399
March 31, 2011	70,517,855	789,367	-	-	2,647,574	73,954,796
April 1, 2010	93,180,859	1,747,474	5,039,780	-	3,562,765	103,530,878

During the years ended March 31, 2012 and 2011, the company did not acquire any assets in respect of delinquent loans.

### Related party notes:

Included in long-term loans technology is \$2,498,300 (2011 - \$5,102,726) and in long-term loans small business is \$463,723 (2011 - \$476,520) in notes receivable due from The Charlottetown Area Development Corporation.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

Included in long-term loans manufacturing and processing are unsecured notes receivable due from Innovation PEI of \$1,987,344 (2011 - \$1,987,344).

Included in accrued interest is \$266,736 (2011 - \$187,250) from Innovation PEI and \$59,231 (2011 - \$18,343) due from The Charlottetown Area Development Corporation.

### 10 Deferred financing costs

			March 31, 2012	March 31, 2011	April 1, 2010
	Cost \$	Accumulated amortization \$	Net \$	Net \$	Net \$
Facilitation commissions	15,439,788	7,836,858	7,602,930	7,985,708	7,215,804

### 11 Restricted funds

Restricted funds held in trust consist of the following amounts held under the Provincial Nominee Program:

	March 31, 2012 \$	March 31, 2011 \$	April 1 2010 \$
Good Faith deposits	22,883,145	41,529,583	57,768,531
Entrepreneur Program deposits	1,024,273	720,212	680,886
Language deposits	10,332,838	21,433,635	34,719,753
Good Faith deposits - new program	3,500,000	-	-
Language deposits - new program	20,000	-	-
Intermediary deposits	300,000	300,000	300,000
	38,060,256	63,983,430	93,469,170

- (a) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a good faith deposit agreement with the company. Under this agreement, each applicant deposits \$25,000 with their application. The deposit is held for a period of one year from the date the applicant is granted permanent resident status by the Government of Canada. At the end of this period, the deposit is returned to the applicant, plus interest, provided the applicant provides evidence that the conditions set out in the agreement have been met. In the event that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, two hundred and ninety-three applicants (2011 - two hundred and thirty-three applicants) were refunded \$7,325,000 (2011 - \$5,825,000) and four hundred and fifty-two (2011 - four hundred and fifteen applicants) defaulted totaling \$11,340,813 (2011 - \$10,414,687).



# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

- b) Certain applicants under the Prince Edward Island Provincial Nominee Program - Entrepreneur Program have entered into an escrow agreement with the company. Under this agreement, each applicant deposits \$100,000 until such time as the conditions set out in the escrow agreement have been met. Once the conditions have been met, the deposit is returned to the applicant, plus interest. In the case that the applicant does not meet the conditions for repayment, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, there were four new applications (2011 - two) totaling \$400,000 (2011 - \$200,000) in deposits, no applicants (2011 - no) were refunded totaling nil (2011 - nil) and one applicant (2011 - one) defaulted totaling \$100,000 (2011 - \$100,000).
- c) Certain applicants under the Prince Edward Island Provincial Nominee Program have entered into a language proficiency agreement with the company. Under this agreement, each applicant deposits \$20,000 with their application. The deposit is held until one year after the applicant is granted permanent residents status by the Government of Canada. Once the conditions of the agreement are met, the deposit is returned to the applicant, plus interest at 1%. If the conditions are not met, the company records the deposit amount, plus accrued interest, as revenue in the fiscal year in which the deposit period ends. During the year, there were four new applications (2011 - none) totaling \$80,000 (2011 - nil) in deposits, two hundred and forty-one (2011 - three hundred and forty-two applicants) were refunded \$4,820,000 (2011 - \$6,840,000) and three hundred and eighteen (2011 - three hundred and twenty-one applicants) defaulted totaling \$6,361,135 (2011 - 6,426,698).

For all above-noted agreements signed prior to April 1, 2006, all interest earned on funds held in trust is recorded as a trust liability when interest is received by the company. Interest is refunded to the applicant if the conditions for repayment are met.

For all above-noted agreements signed subsequent to April 1, 2006, the applicant's deposits are non-interest bearing with any interest earned on the deposits being recorded as revenue by the company.

The company has internally restricted marketable securities to meet or exceed the restricted funds payable.

## 12 Notes payable

	March 31, 2012 \$	March 31, 2011 \$	April 1 2010 \$
Non-interest bearing notes payable, nominally dated with commencement dates ranging from April 1, 2007 to April 1, 2012, repayable in full in five years from the commencement date pursuant to the federally administered Immigrant Investor Program	225,836,710	203,253,789	179,991,306

All notes payable are pursuant to the Immigrant Investor Regulations.

The Province of Prince Edward has provided a guarantee of the notes payable to the Minister of Citizenship and Immigration (Agent) in the event of the failure of Prince Edward Island Century 2000 Fund Inc. to repay the notes payable to the Agent within 30 days following the end of the allocation period.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

The principal payments due on the notes payable over the next five years are as follows:

	\$
Year ending March 31, 2013	46,119,590
2014	43,831,031
2015	45,604,860
2016	49,914,560
2017	40,366,669

### 13 Related party transactions

Included in accounts receivable is nil (2011 - \$80,545) from the Department of Innovation and Advanced Learning, and \$54,695 (2011 - \$54,695) from the Department of Community and Cultural Affairs.

Included in accounts payable and accrued liabilities is nil (2011 - \$258) to the Province of Prince Edward Island and \$333,056 (2011 - \$269,439) to Innovation PEI.

Included in interest on notes and loan receivable is \$160,435 (2011 - \$171,686) from Innovation PEI and \$245,288 (2011 - \$226,211) from The Charlottetown Area Development Corporation

Included in expenses are management fees of \$500,000 (2011 - \$500,000) to Innovation PEI.

Included in Grants - related company is \$1,140,000 (2011 - nil) from Innovation PEI.

Advances to related companies:

	March 31, 2012 \$	March 31, 2011 \$	April 1 2010 \$
PEI Biocommons Inc.	2,500,000	2,500,000	2,500,000
Innovation PEI	1,077,500	-	-
	<u>3,577,500</u>	<u>2,500,000</u>	<u>2,500,000</u>

Advances to related companies are non-interest bearing with no specific terms of repayment.

The Charlottetown Area Development Corporation is 83% owned by the Province of Prince Edward Island.

Innovation PEI is a provincial Crown corporation of the Province of Prince Edward Island.

PEI Biocommons Inc. is a subsidiary of a Crown corporation.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

### Compensation of directors and key management personnel

The remuneration of directors and key management personnel during 2012 and 2011 were as follows:

	2012 \$	2011 \$
Salaries	257,474	258,439

Key management personnel consist of the executive director, directors, managers and other senior staff needed to administer the programs in Island Investment Development Inc. Certain members of key management are employed under Innovation PEI and the portion of their salary which pertains to the work performed for Island Investment Development Inc. is reflected in the \$500,000 (2011 - \$500,000) management fee paid to Innovation PEI in 2012 and 2011.

### 14 Commitments

Prince Edward Island Century 2000 Fund Inc. loans approved but not disbursed at March 31, 2012 amount to \$33,857,163 (2011 - \$44,331,284).

### 15 Contingent liability

A statement of claim has been filed against the company that deals with the question of priority interest that the company has in a mortgage that is held as collateral on their notes receivable to a specific organization. There is no amount recorded in these financial statements for the possible effect on the calculation of the allowance for possible credit losses as the potential outcome of the claim is uncertain at this time.

### 16 Financial risk management objectives and policies

Island Investment Development Inc.'s principal business activities result in a statement of financial position that consists primarily of financial instruments. The principal financial risks that arise from transacting financial instruments include credit, liquidity, market and operational risk. Authority for all risk-taking activities rests with the Board of Directors (Board), which approves risk management policies, delegates limits and regularly reviews management's risk assessments and compliance with approved policies. Qualified professionals throughout Island Investment Development Inc. manage these risks through comprehensive and integrated control processes and models, including regular review and assessment of risk measurement and reporting processes.

#### (a) Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty of a financial instrument fails to meet its contractual obligations. Credit risk arises primarily from the company's notes receivable and marketable securities.

The company's maximum exposure to credit risk at the statement of financial position date in relation to each class of recognized financial assets is the carrying amount of those assets indicated in the statement of financial position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

The company's maximum exposure to credit risk at the reporting date was:

	2012	2011
	\$	\$
Cash	30,882,778	34,727,804
Marketable securities	99,953,265	83,251,579
Accounts receivable	192,705	231,712
Demand loan receivable	6,998,621	6,998,621
Advances to related companies	3,577,500	2,500,000
Notes receivable	130,940,279	106,133,773
Restricted funds	38,060,256	63,983,430
	<u>310,605,404</u>	<u>297,826,919</u>

(i) Notes receivable

For the notes receivable portfolio, the company uses risk modelling that is customer based rather than product based. The company reviews the borrowers capacity to repay the loan rather than relying exclusively on collateral, although it is an important component in establishing credit risk. Typically, collateral consists of capital assets held by the borrower but can extend to working capital such as inventory when warranted. Any shortfall in collateral as compared to the carrying value of the loan is considered when analyzing the loan for the provision that needs to be applied to it.

Credit is approved by staff and the company's Board of Directors with loans in excess of \$1 million requiring subsequent approval by Treasury Board. The company factors the financial strength of each borrower, the security which is available, their position in industry and past payment history when assessing all potential loans.

(ii) Cash and marketable securities

Cash and marketable securities have a low credit risk exposure as the assets are high quality investments with low risk counterparties.

(b) Liquidity risk

Liquidity risk is the risk that the company may not be able to meet its financial obligations as they come due. Specifically, the company needs to ensure it has adequate resources to repay all accounts payable and accrued liabilities and notes payable as they come due. The company's approach to manage liquidity risk is to closely monitor its cash flows and forecast the expected receipts and obligations.

The table below analyzes the company's financial liabilities into relevant groupings based on the remaining period at the statement of financial position date to the contractual maturity date.

# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

	March 31, 2012			
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Total \$
Accounts payable and accrued liabilities	1,171,249	-	-	1,171,249
Notes payable	46,119,590	43,831,031	135,886,089	225,836,710
Restricted funds	38,060,256	-	-	38,060,256
	85,351,095	43,831,031	135,886,089	265,068,215

	March 31, 2011			
	Under 1 year \$	Between 1 - 2 years \$	Between 2 - 5 years \$	Total \$
Accounts payable and accrued liabilities	1,071,155	-	-	1,071,155
Notes payable	17,757,780	46,119,500	139,376,509	203,253,789
Restricted funds	63,983,430	-	-	63,983,430
	82,812,365	46,119,500	139,376,509	268,308,374

As at March 31, 2012, the company has \$168,896,299 (2011 - \$181,962,813) in cash and marketable securities that is readily available to be used to meet the cash outflows of the company's financial liabilities.

### (c) Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the company's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

#### (i) Price risk

The company is exposed to price risk because of the marketable securities held by the company that are classified as fair value through profit or loss. This company is not exposed to commodity price risk. To manage its price risk arising from marketable security is the company diversifies its portfolio.



# Island Investment Development Inc.

## Notes to Consolidated Financial Statements

March 31, 2012

### (ii) Interest rate risk

The following table sets out the assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the company's interest rate risk position is limited by the fact that borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing date. For example, notes receivable are shown at contractual maturity but could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Not interest rate sensitive \$	Total \$
<b>Assets</b>				
Cash	30,882,778	-	-	30,882,778
Marketable securities	99,953,265	-	-	99,953,265
Accounts receivable	-	-	192,705	192,705
Demand loan receivable	6,998,621	-	-	6,998,621
Effective interest rate	0.48%			
Note receivable (net of allowance for losses)	27,358,783	101,974,011	1,607,485	130,940,279
Effective interest rate	4.13%	3.95%		
Advances to related companies	3,577,500	-	-	3,577,500
Restricted funds	-	-	38,060,256	38,060,256
Deferred financing costs	-	-	7,602,930	7,602,930
<b>Total assets</b>	<b>168,770,947</b>	<b>101,974,011</b>	<b>47,463,376</b>	<b>318,208,334</b>
<b>Liabilities and surplus</b>				
Accounts payable and accrued liabilities	-	-	1,171,249	1,171,249
Note payable	46,119,590	179,717,120	-	225,836,710
Restricted funds	-	-	38,060,256	38,060,256
Surplus	-	-	53,140,119	53,140,119
<b>Total liabilities and surplus</b>	<b>46,119,590</b>	<b>179,717,120</b>	<b>92,371,624</b>	<b>318,208,334</b>
<b>Interest rate sensitivity gap</b>	<b>122,651,357</b>	<b>(77,743,109)</b>	<b>(44,908,248)</b>	<b>-</b>

### (d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

# **Island Investment Development Inc.**

Notes to Consolidated Financial Statements

**March 31, 2012**

---

(c) Capital management

The primary objective of Island Investment Development Inc.'s capital management is to ensure that it maintains a healthy financial position in order to support its business. Island Investment Development Inc. manages its capital structure and makes changes to it in light of changes in economic conditions.